

APPENDIX D

SUPPORTIVE MATERIALS



**Exhibit 1**  
**FEDERAL INSURANCE ADMINISTRATION (FIA)**  
**NATIONAL FLOOD INSURANCE PROGRAM**  
**ANNUAL REPORT 19 \_\_\_\_**

Community \_\_\_\_\_ County \_\_\_\_\_ State \_\_\_\_\_  
 Responsible Official \_\_\_\_\_ Title \_\_\_\_\_  
 Address \_\_\_\_\_ Telephone \_\_\_\_\_  
 Signature \_\_\_\_\_ Date \_\_\_\_\_

[ ] Please check this box if any of the above has changed since your last annual report.

**1. PHYSICAL CHANGES AND RECENT FLOODING IN YOUR COMMUNITY**

- a. **Boundary Changes.** Have your community's corporate limits or boundaries changed since your last annual report? (IF YES, PLEASE ATTACH A NEW MAP SHOWING REVISED COMMUNITY BOUNDARIES). Yes [ ] No [ ]
- b. **Natural Changes.** Have there been any natural or physical changes which would increase or decrease flooding in your community? (e.g., subsidence, pronounced erosion, seismic effects, sedimentation, or debris build-up)? (IF YES, PLEASE ATTACH THE MOST RECENT FIA FLOOD HAZARD MAP AND INDICATE THE EXTENT OF CHANGES AND THE AREAS AFFECTED). Yes [ ] No [ ]
- c. **Man-Made Changes.** Have there been any projects or activities which would increase or decrease flooding in your community (e.g., dams, dikes, levees, bridges, storm sewers, drainage facilities, extensive filling)? (IF YES, PLEASE ATTACH THE MOST RECENT FIA FLOOD HAZARD MAP AND INDICATE THE EXTENT OF THE ACTIVITIES AND THE AREAS AFFECTED). Yes [ ] No [ ]
- d. **Recent Flooding.** Has any flooding occurred in your community since the last annual report? (IF YES, PLEASE ATTACH THE MOST RECENT FIA FLOOD HAZARD MAP SHOWING THE AREAS AFFECTED, AND ON A SEPARATE SHEET INDICATE FOR EACH FLOOD THE OCCURRENCE DATE, WATER ELEVATION, NUMBER OF STRUCTURES DAMAGED AND ESTIMATE THE FINANCIAL DAMAGE). Yes [ ] No [ ]

**2. AMENDMENTS TO EXISTING LAWS**

Have any amendments relating to floods or flood areas been made to your community's codes and/or flood plain management laws since your last annual report? (IF YES, PLEASE ATTACH A CERTIFIED COPY OF THE ADOPTED AMENDMENTS).

Yes [ ] No [ ]

**3. COORDINATION, STATISTICS, AND ESTIMATES**

- a. **Coordination.** Has your community had any problems in coordinating its flood plain management program with adjacent communities? (IF YES, PLEASE ATTACH A SEPARATE SHEET EXPLAINING THE PROBLEMS). Yes [ ] No [ ]

- b. **Statistics.** The following data will serve as an indication of your community's effectiveness in enforcing its flood plain management measures.

	Number Requested	Number Granted
1. Construction permits in the flood-prone areas	_____	_____
2. Variances from the 100-year flood elevation requirement	_____	_____
3. Other variances from FIA flood plain management requirements	_____	_____
4. Total variances from all FIA requirements (combined total of 2 & 3)	_____	_____
5. Of the total variances from all FIA requirements, how many were for structures on lots exceeding 1/2 acre?	_____	_____

- c. **Estimates.** (Estimate the answer for the following, using the best data and sources available):

	Population	No. of 1-4 Family Structures	No. of Small Business Structures	No. of All Other Structures
Estimates of totals in the special flood hazard areas delineated on the FIA Flood Insurance Rate Map (i.e., using all zones except B, C, & D)	_____	_____	_____	_____
Estimates of totals in the entire community.	_____	_____	_____	_____



Exhibit 2OCZM/FIA PROGRAM COORDINATION PRINCIPLESPurpose

These coordination principles between the National Flood Insurance Program (authorized under the National Flood Insurance Act of 1968, as amended, and the Flood Disaster Protection Act of 1973 and administered by the Federal Insurance Administration, Department of Housing and Urban Development) and the National Coastal Zone Management Program (authorized under the Coastal Zone Management Act of 1972, as amended, and administered by the Office of Coastal Zone Management, National Oceanic and Atmospheric Administration) have been developed in recognition of the related responsibilities of these programs to develop policies and procedures for the management of flood, mudslide (i.e., mudflow), and flood-related erosion prone areas.

The National Coastal Zone Management Program regulations mandate that States in the development of their management programs consider flooding, flood damage prevention and erosion, CFR 15 923.4. Furthermore, States, in accordance with CFR 15 923.13 - Areas of Particular Concern, are directed to inventory areas of significant hazard due to storms, slides, floods and erosion, among others. Additionally, OCZM regulations under CFR 923.15 clearly state that there is a national interest in flood protection which must be considered during program development. Although the requirement to address flooding and erosion is only one aspect of an overall coastal zone management program it is an extremely important and complicated issue States must confront.

The Federal Insurance Administration is the primary Federal entity that is charged with the responsibility of assisting State and local governments in adequately dealing with the issue of flooding. FIA seeks to achieve this goal by encouraging State and local officials to adopt regulations that: (1) restrict development in areas subject to flooding; (2) guide development away from hazardous areas; and (3) control construction practices in hazardous areas in order to minimize damage from flooding. One primary method utilized by FIA to assist State and local governments is by advising them on the substance and acceptability of their floodplain regulations in accordance with FIA criteria. Additionally, FIA assists State and local governments through mapping of hazardous areas and providing hydrological data and technical assistance. Clearly, this information should be useful to coastal zone management planners during both the development and implementation of CZM programs. Therefore, it is apparent that FIA can provide valuable assistance to State coastal zone management program contacts, either directly or through its State contacts, from both a technical and policy standpoint. Furthermore, States may find it useful to incorporate relevant aspects of FIA's products into their management programs for boundary determinations, regulatory procedures or areas of particular concern. For example, the designated coastal high hazard area (as identified by FIA) will be within the State's coastal zone boundary. Within such boundary, there must be assurances that the State and local policies governing the use of that area are consistent with an approved State coastal zone program. Additionally, other requirements (such as zoning ordinances, setback laws and construction criteria) developed pursuant to FIA regulations for both coastal and riverine hazard areas can be integral parts of a State's coastal zone

management program depending on the individual State's approach and its relationship to local governments. It is OCZM's and FIA's view that coastal States should explore in depth the relationship that will maximize the coordinated implementation of both programs to insure the management of hazardous areas in a manner best suited to individual local and State requirements and needs.

### Provisions

Therefore, in view of the Federal Insurance Administration's goal of encouraging State and local officials to adopt and implement measures necessary for the wise utilization of floodplains in the United States (floodplain shall include flood, mudslide (i.e., mudflow), and flood-related erosion hazard areas) and in recognition of the Coastal Zone Management Act's requirement that States in the development of their management programs consider flood and flood damage prevention, erosion and its effect on beaches and other shoreline areas; the undersigned two agencies do hereby agree to the following coordinating procedures.

(1) The Office of Coastal Zone Management will instruct its State CZM programs to coordinate with the FIA State contact and its local governments to ensure that a reasonable and consistent policy regarding specific hazard areas is developed for the coastal zone. In turn, the FIA will instruct its State contact and regional offices to cooperate with OCZM and its State programs and wherever possible, FIA will encourage their local and State contacts to be consistent with any State CZM policy regarding hazardous areas, to the maximum extent practicable.

(2) In the submission of their coastal zone management programs, States will incorporate to the extent they are available, designated

FIA flood hazard, mudslide (i.e., mudflow), and flood-related erosion areas as a part of their program either by reference or some other means of display. Further, States will recognize in their programs, the flood plain management regulatory requirements of the National Flood Insurance Program which are applicable within these areas as they relate to the State's efforts toward flood damage reduction in the coastal zone. Such incorporation and the opportunity for involvement of FIA State and regional officials shall serve to satisfy the basic participation and adequate consideration requirements of CZMA.

(3) The FIA will inform the State CZM program manager, either directly or through the FIA State contact, of the identified flood hazard areas and provide the other necessary information to insure that CZM programs accurately reflect FIA's program responsibilities.

(4) The Office of Coastal Zone Management shall provide for FIA review of State CZM programs in order to insure that its views are adequately considered in CZM programs submitted for approval by the Secretary.

(5) The States are hereby encouraged by both FIA and OCZM to identify coastal high hazard areas that should receive priority attention by FIA or its contractors when initiating rate making studies.

(6) Where either agency anticipates commencing a non-routine study involving coastal flood prone areas, early notification will be given to the other agency. This will provide an opportunity to coordinate these studies in an attempt to most efficiently operate the study.

The two undersigned agencies anticipate that this framework and these procedures will provide the basis for insuring that coordinated

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substantive and mutually compatible interaction develops between their respective programs.

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J. Robert Hunter

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Robert W. Knecht



**DRAFT**

THIRD DRAFT

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FEDERAL INSURANCE  
ADMINISTRATION

AND

THE ENVIRONMENTAL PROTECTION AGENCY, WATER QUALITY MANAGEMENT PROGRAM

PURPOSE

The following memorandum of understanding has been prepared to improve planning and coordination of program activities of the Department of Housing and Urban Development (HUD) Federal Insurance Administration (FIA), the U.S. Environmental Protection Agency (EPA) Water Quality Management Program (WQMP), FIA state coordinating agencies and state and areawide agencies designated for water quality management planning. Specifically, the memorandum:

- 1) encourages coordination of flood plain studies and flood plain management regulatory measures with water quality management programs and regulatory measures within and among the respective governmental agencies and entities engaged in the National Flood Plain Insurance and the water quality management programs;
- 2) provides a framework in which plans and programs of the respective agencies and entities may be made more compatible by combining planning and programming processes to the maximum extent possible;
- 3) promotes the concept that studies, plans and management measures undertaken for the purposes of the flood insurance and water quality management program should recognize the interdependency of their planning and management processes;
- 4) sets forth general and mutually acceptable principles with the understanding that detailed information and guidance may be provided to state and local planning agencies by FIA regional offices, FIA state coordinating agencies, EPA regional offices, and state and areawide agencies designated for water quality management planning.

BASIS OF AUTHORITY FOR MEMORANDUM

This memorandum is based on the following:

1. National Flood Insurance Act of 1968, as amended, P.L. 90-448;
2. Flood Disaster Protection Act of 1973, P.L. 92-234;
3. Title 24, Code of Federal Regulations, Parts 1909-1920;
4. Federal Water Pollution Control Act of 1972, as amended, P.L. 92-500;
5. Title 40, Code of Federal Regulations, Parts 130 and 131;
6. National Environmental Policy Act of 1969, P.L. 91-190;
7. Executive Order 11296 (1966);
8. Office of Management and Budget Circular A-95, "Evaluation, Review and Coordination of Federally Assisted Programs and Projects", January 13, 1976.

BACKGROUND

The HUD National Flood Insurance Program (NFIP) and the EPA Water Quality Management Program (WQMP) have much in common. The respective programs are described below to illustrate their interrelated characteristics.

National Flood Insurance Program

The National Flood Insurance Program is designed to allow communities and individuals who may suffer losses because of their occupancy of flood and/or mudslide-prone areas to purchase flood insurance at federally-subsidized affordable rates. Communities participating in the program must meet certain requirements; the most significant of these is the need to develop, adopt and administer local measures for flood plain management regulation to reduce or avoid future flood damage.

Flood plain management is an overall program of corrective and preventive measures to reduce damage. Measures may include emergency preparedness plans, but in particular, regulations affecting future use of flood plains. Regulations provide for the

location and design of new development within flood-prone areas, by such measures as zoning, subdivision or building regulations, or a flood plain ordinance.

The Flood Disaster Protection Act of 1973 requires that no federal or federally-related financial assistance may be legally provided for the construction or acquisition of buildings in a community known to be in an area subject to inundation by the 100-year flood, unless that community is participating in the program. Furthermore, flood insurance must be purchased by communities or individuals before federal financial assistance for the construction or acquisition of buildings, such as those associated with a waste water treatment plant, may be provided in those areas which have been designated as subject to inundation by the 100-year flood.

Of special importance to WQM planning are the consequences of siting waste water treatment plants and sewer systems in the flood plain, and of unregulated development in those areas. For example, if sewers are laid in the flood plain, housing developments may be attracted to flood hazard areas. On the other hand, if housing construction is permitted in flood plains, a concomitant demand may be made for municipal facilities, such as water supply and sewers. The combined effect may be to expose additional lives and property to flood risk and to aggravate the existing hazard.

The NFIP is administered by the Federal Insurance Administration (FIA) through FIA Regional Flood Insurance Specialists and state coordinating agencies which are designated by the governor. Those agencies coordinate the activities of the flood insurance program within the state and assist communities in adopting the requisite flood plain management regulations and in qualifying for the flood insurance program. Once a community is accepted into the program by FIA, a flood insurance study is conducted which includes a standard set of hydrologic and hydraulic determinations.

Studies appraise a community's flood problems, estimate flood-flow frequency of flooding sources, establish flood elevation profiles, plot flood boundaries, compute flood hazards and delineate the 100-year floodways. The studies cover the whole area within the legal boundaries of the community and may include other areas in which the community has jurisdiction. All sources of existing basic data useful to the study must be investigated, and relevant information solicited from local authorities, state officials and interested federal agencies.

Federally-subsidized flood insurance is available to communities throughout the country. Currently, about 15,000 communities have been identified as communities which contain areas of special flood hazard potential subject to provisions of the Flood Disaster Protection Act of 1972.

## Water Quality Management Program

The primary objective of the water quality management program is to define comprehensive actions necessary to achieve the national goal of water quality which provides for protection and propagation of fish, shellfish and wildlife, and recreation in and on the nation's waters by July 1, 1983. Attention is to be given to improvements necessary to conserve such waters for these purposes and for public water supply and agricultural, industrial and other purposes. Among other things, WQM plans are to identify facilities, management alternatives, regulatory programs and to recommend appropriate agencies capable of implementing programs to achieve water quality goals and established state water quality standards.

WQM plans are to be prepared for all areas and waters of all states, except where the state certifies that no problem exists. These plans are to be prepared for those areas designated by the governor of a state which have been determined to have substantial water quality management problems as a result of urban-industrial concentrations or other factors, as well as for the remaining non designated areas of the state. For designated areas, plans are to be prepared by designated areawide water quality management agencies; for non designated areas, preparation of plans is the responsibility of a state agency, usually the water pollution control agency or environmental protection agency, designated by the governor to implement provisions of the WQM program. Plans are to be completed by November 1, 1978. In both instances, plans are to be certified by the state governor and submitted to the EPA regional offices for review and approval.

Areawide WQM designated areas are likely to be the same, or to include flood insurance study areas. Since non designated areas cover the remainder of each state, FIA study areas would also be contained within these WQM areas; in each case, local planning and/or development organizations and agencies coordinate WQM plans and/or flood insurance studies with the respective state and federal agencies.

## PROGRAM INTERRELATIONSHIPS

The NFIP and the WQM program are similar in many respects in their impact on water and land management. In addition to their focus on common physical and spatial factors, the programs follow similar procedures in problem assessment, data collection, planning, community involvement, plan approval and requirements for program implementation.

In general, the programs:

- 1) significantly affect the environment, the local economy and patterns and extent of community growth;

- 2) influence choices of design and spatial location of activities such as construction, land use and development;
- 3) provide, through emphasis on local decision making, a means by which community goals and objectives may be achieved;
- 4) encourage the formulation and adoption of overall comprehensive management in the respective areas in which their programs are applicable.

In addition to their complementarity, the programs are similar in the processes employed to carry out their respective responsibilities. For example, each program:

- 1) focuses on local and areawide problems and areas which are recognized as affecting the present and future uses of land and water;
- 2) emphasizes the need to enact land use measures and legislation for regulation of the respective areas of concern;
- 3) utilizes standard data-collection procedures for accurate and objective assessment of problems;
- 4) seeks and analyzes alternative means to achieve its respective objectives;
- 5) coordinates its data-collection activities with local, state and federal agencies to avoid duplication of effort and to recognize possible conflicts;
- 6) is coordinated through a state agency designated by the governor;
- 7) provides information to local communities, their officials and planning agencies on coordination of state and federal requirements pertaining to the respective programs;
- 8) requires participation of the public in the respective study, plan development and approval phases of the program;
- 9) includes requirements for establishment of minimum state standards consistent with federal standards;
- 10) involves many of the same state and local decision makers, officials and planning and development agencies.

Coordinated efforts in these concurrently developing and interrelated programs would obviously be of mutual advantage to flood plain and mudslide areas and water quality management areas.

## PRINCIPLES OF COORDINATION

Four principles are understood and accepted by the signatory agencies as necessary in order to achieve close coordination among the respective programs of the National Flood Insurance Program and the Water Quality Management Program. It is recommended that the principles be applied by states, areawide agencies and local units of government engaged in the programs covered by this memorandum. FIA and EPA encourage states and areawide and local agencies to implement the principles.

### A. Participation in Planning, Advisory, Review and Working Groups

Joint participation in activities of the respective planning, advisory, review and/or working groups, or citizen advisory groups established pursuant to flood plain management planning and water quality management programs, is mutually encouraged at federal, state, areawide and local levels.

To implement this principle, the appropriate officer or offices should strive to:

- 1) facilitate joint review and comment on future regulations, directives, guidelines and performance criteria issued and developed in accordance with legislation, Executive Orders, and regulations governing the respective programs;
- 2) provide for the resolution of any differences which may arise during the planning stage between the flood plain management and water quality management programs;
- 3) encourage state and local flood plain and water quality management planning staff to participate in the assignments of the corresponding planning, review and working groups early in the development of the respective programs, and continuously thereafter;
- 4) encourage joint representation on the respective advisory groups.

### B. Cooperation in Development of Planning Process

In order that programs covered by this memorandum result in coordinated and common efforts, basic planning assumptions, policy directions and planning activities must be compatible and complement and reinforce one another. Joint consultation among responsible



state, areawide and local planning agencies should be initiated early in the planning process and efforts made to develop unified work plans as appropriate; consultation should be continued thereafter in order to achieve common objectives, promote consistency, avoid duplication and foster efficiency and cost-effectiveness.

To implement this principle, the appropriate officers or offices should strive to:

- 1) provide systematic procedures as to how, when and where coordination is actually to occur in the respective planning processes;
- 2) arrange meetings with the state and/or areawide agencies to initiate a cooperative planning development process;
- 3) exchange planning manuals and guidance on problem analyses, planning alternatives, environmental assessment and impact, basic data, performance criteria, alternative control strategy, etc.;
- 4) divide work assignments where information requirements for flood plain and water quality management are the same, as with collection of demographic data, growth development plans, soils or hydrology.

#### C. Information Exchange, Technical Assistance, Task-Sharing

To the maximum extent possible, technical information, assistance and work should be freely exchanged or shared among the respective federal, state, areawide and local agencies; when possible, there should be consistency in the data base used for planning, in analytical techniques and in planning criteria.

To implement this principle, the appropriate officers or offices should strive to:

- 1) identify and utilize a common data base, projection and analytical techniques and consistent criteria essential to planning functions;
- 2) integrate data collection activities before data are gathered so that information can be transferred for mutually advantageous use;
- 3) provide technical assistance, when funding can be arranged in the respective areas of expertise; if funding cannot be arranged, then technical documentation in the respective areas of expertise should be exchanged or other arrangements made to share information.

D. Periodic Consultation and Reporting on Status of Coordination

Periodic consultation and reporting among state, areawide and local planning groups describing their respective planning activities, proposed project funding priorities and schedules, and coordination efforts should be encouraged. Concerned agencies should alert one another to the approach of key decisions or potential conflicts as well as to policy options and alternative strategies being considered. Information copies of principal planning reports or summaries of critical meetings should be exchanged.

To implement this principle, the appropriate officers or offices should strive to:

- 1) arrange consultation between the local flood plain and water quality management planning agencies as needed in order to evaluate the status of coordination among the respective planning efforts;
- 2) engage in a mutual exchange of appropriate reports that can be used as interim and/or consistency checks to evaluate the compatibility of the flood plain and water quality management planning efforts.

Signed at Washington, D.C., this \_\_\_\_\_ day of \_\_\_\_\_ 1976.

Department of Housing and Urban  
Development

Environmental Protection Agency

\_\_\_\_\_  
Acting Administrator, Federal  
Insurance Administration

\_\_\_\_\_  
Assistant Administrator for  
Water and Hazardous Materials



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
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DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT

Federal Insurance Administration

[Docket No. N-74-240]

MANDATORY PURCHASE OF FLOOD  
INSURANCE

Guidelines

The following guidelines represent the current views of the Federal Insurance Administration with respect to the mandatory purchase of flood insurance under section 102 of the Flood Disaster Protection Act of 1973, and are effective until further notice.

The purpose of these guidelines is to provide guidance to the many Federal agencies and private lending institutions responsible for the enforcement of the Act's flood insurance purchase requirements, which became effective on March 2, 1974.

The Flood Disaster Protection Act of 1973 (Pub. L. 92-234, December 31, 1973, hereinafter referred to as the "Act") requires the purchase of flood insurance on and after March 2, 1974, as a condition of receiving any form of Federal or Federally related financial assistance for acquisition or construction purposes in an identified flood plain area having special flood hazards that is located within any community currently participating in the National Flood Insurance Program. This Federal program is authorized by the National Flood Insurance Act of 1968 (42 U.S.C. 4001-4127).

Until July 1, 1975, the statutory requirement for the purchase of flood insurance does not apply until and unless the community enters the program and the special flood hazard areas have been identified. However, after July 1, 1975, the requirement will apply to all identified special flood hazard areas within the United States, so that, after that date, no such financial assistance can legally be provided for buildings in these areas unless the community has entered the program and flood insurance has been purchased.

The term Federal or federally-related financial assistance includes not only loans, grants, guarantees, and similar forms of direct and indirect assistance from Federal agencies, such as FHA or VA mortgage insurance, but also any similar forms of assistance from federally-insured or regulated lending institutions, such as banks, savings and loan associations, and credit unions.

Acquisition or construction purposes include all forms of construction, reconstruction, repair, or improvement to real estate, whether or not the value of the building is enhanced, and the flood insurance purchase requirement applies to

both private and public recipients except as otherwise noted in the guidelines. We have included a glossary of the other terms used in the National Flood Insurance Act at Paragraph G below.

A. BACKGROUND

1. *Description of program and program limits.* (a) The National Flood Insurance Program was enacted by the Congress in 1968 as a means of making flood insurance, which was previously unavailable from the private insurance industry, available at reasonable rates through a Joint Government-Industry program, within communities that meet eligibility requirements by adopting certain land use and control measures, consistent with Federal criteria, to reduce or avoid flooding in connection with future construction in their flood plains.

(b) The program is highly subsidized and seeks in its early stages to assure wiser future flood plain management rather than to obtain adequate premiums for the coverage provided. However, flood insurance for buildings constructed within identified special flood hazard areas after December 31, 1974 (or the effective date of the initial Flood Insurance Rate Map, whichever is later), will be subject to actuarial rather than the subsidized premium rates. Such rates can be prohibitively expensive unless the buildings are properly elevated or flood-proofed to lessen flood damage.

(c) Communities entering the National Flood Insurance Program generally do so in two phases. They first become eligible for the sale of flood insurance in the Emergency Program, under which only half of the program's total limits of coverage are available and all such insurance is sold at subsidized premium rates. After the flood insurance rate study has been completed, a community enters the Regular Program under which full limits of coverage are available.

(d) Under the Regular Program, buildings constructed on or before December 31, 1974 (or the effective date of the rate map, if later), as well as those located outside of the special flood hazard areas, remain eligible for the first half of available coverage (known as "first layer" coverage) at either subsidized rates or actuarial rates, whichever are cheaper. All other buildings require actuarial rates on both layers of coverage.

(e) Regardless of date of construction, actuarial rates are always required for the second layer of coverage.

(f) Present limits of coverage under the Emergency Program (except in Alaska, Hawaii, the Virgin Islands, and Guam) are \$35,000 on single family dwellings and \$100,000 on all other types of buildings, with \$10,000 per unit available for residential contents, and \$100,-

000 per unit for nonresidential contents. In Alaska, Hawaii, the Virgin Islands, and Guam, limits on residential structure coverage under the Emergency Program have increased to \$50,000 on single-family dwellings and \$150,000 on buildings containing more than one unit.

(g) Present limits of coverage under the Regular Program are double those indicated in paragraph (f) for the Emergency Program.

(h) The schedule governing the National Flood Insurance Program are set forth in title 24 of the Code of Federal Regulations, Chapter 13, Subchapter B, commencing at Part 1903. Specific information on insurance coverage and rates is set forth in 24 CFR 1911, as amended.

2. *Community eligibility and special flood hazard area identifications.* (a) Once a community has met eligibility requirements for the Emergency Program and has submitted a copy of its preliminary land use measures, the Federal Insurance Administration arranges for the sale of flood insurance within the community in less than two weeks (normally, within 6 working days). The eligibility date for a particular community is always published in the Federal Register, indexed both under HUD and under Federal Insurance Administration.

(b) Similarly, lists of communities with newly identified special flood hazard areas are regularly published in the Federal Register under 24 CFR 1915.3 in advance of the effective date of the identification. However, the maps showing the boundaries of such areas are not published in the Federal Register and must be obtained or verified as indicated in item 3, below.

(c) In addition to publication in the Federal Register, daily notifications are made to HUD regional offices and to National Flood Insurers Association (NFIA) servicing companies of changes in community status within their areas. Monthly lists of all eligible communities indicating the dates of all hazard area identifications, are published in booklet form about the 15th of each month (with information current as of the end of the previous month) and are widely distributed to agencies having an interest in the flood insurance program. However because of printing and mail delivery time lags, the published lists available at any given time may be as much as a month old. To ascertain whether a community not listed in this booklet has been subsequently identified as flood prone, an inquiry may be made to the NFIA Servicing Company in the appropriate state or by calling the FIA toll free numbers 800-424-8872 or 800-424-8873.

(d) It is not the intent of the program to require the purchase of flood insurance for buildings located outside the curvilinear flood line and where the first floor elevations are on natural ground and above the base flood level. Consequently, after the publication of flood maps, the Administrator may issue amendments to the maps, correcting technical mapping deficiencies.

(e) Furthermore, it is recognized that the descriptions of special flood hazard areas contained in Flood Hazard Boundary Maps and Flood Insurance Rate Maps in some instances may not be clear enough to permit lending institutions to decide with certainty and precision whether or not property which is the security for a loan or which is the subject of a Title I loan is located in such an area. Accordingly, for the purposes of the Flood Disaster Protection Act of 1973 and for the loan, the Federal Insurance Administrator has determined that a lender's decision made in the exercise of due diligence and good faith as to the location of a property, which is the subject of a loan, on such a map will be final and sufficient to comply with the Act.

In such instances where a good faith finding has been made by a lender or its agent, acting pursuant to the requirements of the Act, that the property is outside the special flood hazard area, such finding as to the location of the property shall be final with respect to such property, regardless of any subsequent contrary conclusion by any person, agency, or body, and regardless of any change of ownership of the property or status of the loan or transaction, provided, at the time of any subsequent making, increasing, extension, or renewal of a loan with respect to which the property is the subject, the map upon which the original finding was based is still in effect and remains unrevised as to the property in question.

This determination is effective as of March 2, 1974.

(f) Because the most current information on program changes is that which is periodically published in the *FEDERAL REGISTER*, a publication routinely available to Federal agencies but not private lenders, private lenders might consider subscribing to the *FEDERAL REGISTER* directly. The *FEDERAL REGISTER* may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at a subscription price of \$5 per month or \$45 per year, payable in advance.

3. *Where to obtain insurance policies, maps, and program information.* (a) Insurance policies under the National Flood Insurance Program can be obtained from any licensed property insurance agent or broker serving the eligible community, or from the NFIA servicing company for the State (see paragraph (c) below).

(b) The Flood Hazard Boundary Maps are the first maps prepared in the identification process. These indicate the locations of identified special flood hazard areas and are always maintained on

file within each eligible community in a repository designated by the mayor or chief executive officer, usually the building inspector's office or the city clerk's office. The address of such repository is published in the *FEDERAL REGISTER* at 24 CFR 1914. The Flood Insurance Rate Maps are issued later following a detailed study of the flood hazard area. These maps delineate degrees of flood hazard and include more precise area identification.

(c) Maps, literature, and policy application forms and manuals are available from any NFIA servicing company, and a current list of servicing companies is provided at the end of this notice. The servicing companies are also equipped to answer questions on eligibility of communities, scope of coverage, and maximum amounts of insurance available with respect to particular types of buildings.

(d) Questions that cannot be answered by individual agents or brokers or by the appropriate servicing company may be referred to the National Flood Insurers Association, 160 Water Street, New York, New York 10038, telephone (212) 487-4641; to the nearest HUD regional office; or to the Federal Insurance Administration, HUD, Washington, D.C. (202) 755-5581, or its toll-free numbers 800-424-8872 or 800-424-8873.

(e) Copies of statutes, program regulations, and community eligibility application forms may be obtained from HUD regional offices or directly from the Federal Insurance Administration in Washington.

#### B. GENERAL GUIDELINES FOR LENDERS

1. *Property eligible for flood insurance coverage.* (a) For the purposes of the National Flood Insurance Program, the term building is defined to include mobile homes, as well as any walled and roofed structure, other than a gas or liquid storage tank, that is principally above ground and affixed to a permanent site. Thus, nearly all types of industrial, commercial and agricultural buildings, such as lumber sheds, machinery storage sheds, grain storage bins, and silos are eligible for coverage, but each building and its contents (if eligible) must generally be insured separately. *Exception:* The owner of a single family dwelling may apply up to 10 percent of his coverage to the appurtenant private structures on the premises if they are used primarily in connection with the occupancy of the dwelling.

(b) Mobile homes are eligible for coverage if they are on foundations, whether or not permanent, and regardless of whether the wheels are removed either at time of purchase or while on the foundation. Travel trailers and campers are not eligible for coverage, and thus the insurance purchase requirement of the Act does not apply to them.

(c) Where a condominium plan includes traditional townhouses and row houses that are contiguous to the ground and capable of separate ownership and legal descriptions, these units are eligible for coverage as single-family dwellings,

regardless of the type of common walls. However, high-rise or vertical condominium units are not eligible for separate coverage, since all condominium owners normally share ownership in, and liability for, structural damage to the common areas which comprise the entire structure less the individual units. Thus, in the second instance, the flood insurance policy would be issued in the name of the condominium owners' association, up to a maximum coverage of \$100,000 per building under the Emergency Program and \$200,000 per building under the Regular Program. When an individual loan is obtained to purchase a condominium unit, the lender should see to it that additional flood insurance coverage is obtained by the owners' association in an amount equal to the amount of the loan, and that the new purchaser's name is added to the schedule of named insureds, until the association has purchased the maximum amount of coverage for which the building can be insured under the program. New subsequent condominium unit purchasers would simply have their names added to the common policy on the building, in the same manner as fire insurance coverage is generally handled.

(d) All condominium unit owners in eligible communities are entitled to purchase individual contents coverage, however, and the owners of units on the first two floors of buildings located within special flood hazard areas should be especially encouraged to do so, since they are most likely to sustain individual damage.

(e) Regardless of the type of condominium involved, contents coverage up to \$10,000 per unit under the Emergency Program, and \$20,000 under the Regular Program, is available for each condominium unit owner. Contents coverage for a mobile home, however, is available only if the mobile home is eligible for structure coverage, as discussed in paragraph (b) above.

(f) Although structure coverage may be written on buildings that are not fully enclosed, flood insurance coverage is applicable to contents only while in an enclosed structure. Thus, contents coverage cannot be written on the contents of a three-walled machinery shed or a similar type of open building, and flood insurance on such contents is never required.

2. *When the purchase of flood insurance is required.* (a) Between March 2, 1974, and July 1, 1975, flood insurance is generally required by the Act only when financial assistance is provided to finance the acquisition, construction, repair, or improvement of a building or mobile home located within an identified special flood hazard area in a community in which flood insurance under the program is currently being sold. However, after July 1, 1975, the above assistance cannot legally be provided in such an area unless the community involved is participating in the National Flood Insurance Program.

(b) The Federal Insurance Administration and the Federal Home Loan Bank

Board have construed the Act to include not only the origination of mortgage loans but also the purchase of mortgage loan portfolios in the secondary market and participations thereof. Thus, mortgage loans and interests in mortgage loans purchased after March 2, 1974, must be covered by flood insurance, where applicable, unless the original loan was made pursuant to a formal loan commitment issued prior to March 2, 1974. The Federal Deposit Insurance Corporation, the Federal Reserve Board and the Comptroller of the Currency have construed the term financial assistance to include only the origination of mortgage loans and not the purchase of loans in the secondary markets in this respect; therefore, guidelines from these instrumentalities will differ.

(c) The mere assumption of an existing mortgage by the new purchaser of a property after March 2, 1974, does not require the purchase of flood insurance if the original mortgage was made before March 2, 1974, and there is no change in its terms after that date. However, if there is any extension, increase, or renewal, including a novation, then flood insurance is required. If the insurance purchase requirement has become applicable since the date of the mortgage.

(d) Since mobile homes are treated in the same manner as real estate under the Act, any financing of mobile homes on foundations requires the purchase of flood insurance. Accordingly, those situations involving dealers' inventories or mobile home purchases by consumers where the mobile home is purchased and driven off a dealer's lot bound for its unknown, ultimate destination, would not involve the mandatory purchase of flood insurance in connection with that first financing or loan made to the buyer of the mobile home. Generally, it is on a resale, when the mobile home is on its foundation, that the mandatory purchase requirements of the Act come into play, assuming financing from a Federally regulated lending institution is arranged for the purchaser. The Act does not prohibit the lending institution from requiring flood insurance as of the date the mobile home is placed on foundation.

(e) Flood insurance is required on personal property, such as inventory machinery and equipment, only when the loan from a private lender involves not only a security interest in the personal property, but also a security interest in real estate or else a related real estate loan that is made, extended, or refinanced at the same time as the personal property loan. Private loans for personal property that do not involve direct or indirect Federal assistance (such as guarantees) or mortgages on real estate, are not subject to the Federal insurance purchase requirement, regardless of where the property is to be located. However, there is no objection to the lender requiring such insurance in appropriate cases on its own initiative.

(f) The burden of determining the location of the real property to be financed is on the lender and cannot be dis-

charged merely by obtaining a self-certification from the borrower that the property is not located in an area having a special flood hazard. If an appraisal of the property is required, its location in relation to an identified special flood hazard area should be part of the appraisal. If no appraisal is obtained, then the lending institution should verify the location.

(g) Prior to July 1, 1975, no insurance purchase requirement exists under the Act unless two requirements are met: (1) the property is located in a formally identified special flood hazard area (i.e., one in which a Flood Hazard Boundary Map has been formally issued) and (2) the community is participating in the program and flood insurance is being sold on properties in that area at the time of closing or commitment. Thus, if a community's eligibility has not yet become effective or has been suspended, and insurance is not currently available, then flood insurance is not required by the Act on any closing during the period of suspension. Where a map has not yet been published for a community otherwise eligible to participate in the program, insurance is not required. The insurance purchase requirement is further modified by the provisions of subsection (h) of this part.

(h) Similarly, the insurance purchase requirement with respect to a particular community may be altered by the issuance or withdrawal of FIA's official flood maps. If the Federal Insurance Administration withdraws a Flood Hazard Boundary Map (for any reason), the insurance purchase requirement is completely suspended during the period of withdrawal. However, if the community is in the Regular Program and only the Flood Insurance Rate Map (which controls actuarial rates) is withdrawn but a Flood Hazard Boundary Map remains in effect, then flood insurance is still required, but the maximum amount of insurance available is first layer coverage under the Emergency Program, since the community's Regular Program status is suspended while the map is withdrawn.

(i) Because of possible changes in a community's eligibility and area identification status during the implementation of the Act, it is the view of the Federal Insurance Administration that the loan commitments of private lenders should be protected wherever possible. Thus, the Federal Insurance Administration believes that the insurance purchase requirements of the Act should be applied on the basis of the circumstances existing as of the date of closing.

To make the imposition of the flood insurance purchase requirement on the date of closing a practicable and equitable procedure, the Federal Insurance Administration urges Federal agencies and instrumentalities to provide for notice to the borrower in the loan approval or commitment that if the flood insurance purchase requirement is applicable on the date of closing, it will be implemented.

However, in view of the difficulties faced by Federal agencies and lending

institutions in accommodating themselves to the many changes in the status of flood insurance availability and designation of flood hazard areas during the next several months, the Federal Insurance Administration recognizes that certain agencies and instrumentalities may choose to require flood insurance at some other date consistent with the requirements of the Act. For example, the date on which flood insurance is required by a Federal agency may be the date of the formal loan approval or commitment. However, if flood insurance cannot be required at the time of approval or commitment, but the status of the structure or community changes so that at the time of closing flood insurance should be required, the purchase of insurance should be imposed at the time of closing. If the status changes so that the insurance purchase requirement does not become applicable until more than 30 days after the loan approval or commitment and the Federal agency or instrumentality believes it cannot practically impose such requirement on the basis of the status at the time of closing, it may choose not to do so.

The insurance purchase requirement may also be affected by the withdrawal of a map or the suspension of a community from the program. In this case, there may result a lessening or elimination of the insurance purchase requirement.

As in all other matters treated in these guidelines, however, Federal supervisory instrumentalities and private lenders may impose more stringent requirements for their own protection and the protection of their borrowers if they choose to do so.

3. Amount of flood insurance required.  
(a) For communities in the Emergency Program, the maximum amount of flood insurance required is the maximum amount available under the Emergency Program. For communities in the Regular Program, the maximum amount required is the maximum amount available under the Regular Program. However, these requirements are subject to the qualifications set forth below.

(b) It is the intent of the insurance purchase requirement of the Act to conform as closely as practicable to normal commercial lending practices. Thus, while flood insurance is required in the amount of the loan or the maximum amount available under the program whichever is less, there is no objection to reducing the amount of the insurance required by the amount of the land value involved, in cases where the proposed loan clearly exceeds the value of the insurable improvements. However, such reduction is not required by the Act. Private lenders that do not normally appraise land values separately, and the generally require fire insurance for the full amount of their loan, are free to follow the same practice, to the extent otherwise permitted by law, with respect to flood insurance.

(c) If a loan is made while a community is in the Emergency Program and the amount of flood insurance avail-

able is insufficient to cover the amount of the loan, the lender has no obligation to increase the amount of flood insurance required when the community enters the Regular Program. However, the lender is not precluded from doing so by the Act, the matter has been left entirely to the judgment of the lender.

4. Proof of purchase and maintenance of flood insurance. (a) It is expected that lenders will treat the flood insurance purchase requirement in essentially the same way as the fire insurance requirement they already customarily impose. That is, most lenders will require a copy of the Standard Flood Insurance Policy, endorsed to show them as a beneficiary, and some Federal supervisory instrumentalities will undoubtedly impose such an endorsement requirement.

(b) At the time of the loan closing, however, unless the lender or the supervisory instrumentality rules otherwise, a copy of the flood insurance policy application, indicating that the full premium has been paid is sufficient evidence of the purchase of flood insurance, since there is normally a 15-day waiting period before the policy is actually issued and the coverage becomes effective. However, once the policy has been issued, a copy of the policy should be obtained and maintained by the lender.

(c) Since the flood insurance policy is an annual policy, lenders will be expected to see that flood insurance is renewed and maintained for the entire duration of the loan. Thus, if the borrower does not renew his policy on time, the lender will have the usual option of renewing it for him or calling the loan. The National Flood Insurance Association is already equipped to assure that mortgagees receive copies of flood insurance policies and renewal notices. Such notices are normally sent out 45 days, but no less than 30 days, before the expiration date of the policy. In the event the flood insurance coverage is obtained from a source other than the NFIA, lenders should require similar notices to permit the lender to renew the policy or call the loan (see section D on page 22 below).

(d) In the case of construction loans where the loan closing and lien recordation take place before any disbursement of funds, proof of flood insurance is not required at the time of the closing but only at the time the first funds are disbursed. Flood insurance is available for buildings during the course of construction, as well as for building materials stored in a fully enclosed structure adjacent to the building site, but the amount of flood insurance required by the lender at any given time need not exceed the amount of the lender's total disbursement to date.

(e) Flood insurance is not available for multiple buildings under a single flood insurance policy at the present time, although it is likely that a schedule policy will eventually be developed as the demand for such coverage increases. Thus, at present, if a lender makes a commitment for a multiple

housing development under a single loan, it will be necessary to obtain an individual flood insurance policy on each of the separate buildings to satisfy the lender.

5. Special disbursement policy for private lenders. (a) It has been asked whether a special disbursement policy for private lenders after March 2, 1974, is proposed. Certainly under the Act, a lender may make before March 2, 1974, such a disbursement to pay real estate taxes or a fire insurance premium for a delinquent borrower, constituting a new loan or loan modification, requiring the purchase of flood insurance. In the view of the Federal Insurance Administration, if such disbursement is made solely for the purpose of protecting the lender's security interest, and none of the funds go to the borrower, then the flood insurance requirement of the Act does not thereby become applicable.

(b) A second question that has been asked is whether a loan that is made after March 2, 1974, and is subject to the insurance purchase requirement of the Act must be called if the community in which the property is located loses its eligibility for the sale of flood insurance after July 1, 1975, and flood insurance is no longer available at the time of policy renewal. In the view of the Federal Insurance Administration, that such an existing loan does not have to be called in these circumstances, although it cannot be increased, extended, or otherwise modified for the benefit of the borrower after the flood insurance policy lapses.

#### C. ADDITIONAL GUIDELINES FOR FEDERAL AGENCIES

1. When the purchase of flood insurance is required. (a) The guidelines applicable to private lenders are also generally applicable to Federal agencies. However, the Act imposes more stringent requirements on Federal agencies with respect to new financial assistance to projects that they have previously assisted.

(b) With respect to Federal agencies, the insurance purchase requirement applies to all assisted personal property, except in research and development projects (see C.2(e)), regardless of whether the agency has provided or is providing any financial assistance with respect to real estate. If at the time of providing the financial assistance for personal property, the agency takes back a mortgage on real estate, flood insurance must be required on the real estate as well.

(c) Similarly, if a Federal agency provides financial assistance for personal property to a borrower that the agency has previously assisted with respect to real estate at the same facility in the same location, then it must require flood insurance on the previously-assisted building as well as on the personal property. The amount of flood insurance required on the building should be based upon its current value, however, and not on the amount of as-

stantiated value provided.

(d) Federal agencies must require flood insurance on their own personal property, including research and development projects, and on projects and facilities that they have assisted or are assisting.

2. Determining the amount of flood insurance required. (a) The Act does not differentiate between projects financed by private lenders and those financed by Federal agencies in the amount of flood insurance required. Where a loan is involved, and the amount of the loan will be disbursed out in determining the project, the requirement to purchase flood insurance does not apply to agencies that use only Federal funds but operates entirely through private lenders.

(b) Flood insurance projects are not defined as expected to be used as a project, unless it is actually constructed, or unless it is certain public facilities, such as bridges, dams, water supply lines, and underground structures, and if applicable under the program, the additional portions of project cost, such as land cost (or the value allocated to land, where no land acquisition is involved) would normally be supported from project cost in determining the amount of flood insurance required. Thus, flood insurance need not be required in excess of the value of the buildings to be insured.

(c) For example, if a portion of the cost of a sewer system consists of underground lines and underground pumping stations, and the balance of the cost represented above-ground buildings, then flood insurance would be required only on the \$500,000 portion of the project that was eligible for insurance. If that portion consisted of only two equally valued buildings, within a community in the Regular Program, then only \$200,000 on each building would be required. If the two buildings were valued at \$100,000 and \$400,000, then \$100,000 and \$200,000 of insurance, respectively, would be required.

(d) Similarly, if the Defense Civil Preparedness Agency (DCPA), for example, provided 50 percent of the cost of establishing an Emergency Operating Center (EOC) in the basement of a new courthouse that was not built with Federal funds, then flood insurance (to the extent available) would be required in an amount equal to 100 percent of the cost of the Center, regardless of the fact that a local government had provided the remainder of the cost. The amount of flood insurance required would be based not on the total cost of the courthouse, but only on the cost of the portion of the building that constituted DCPA's project. However, agencies can adopt more stringent requirements if they believe the interests of the Government require them to do so.

(e) A number of Federal agencies make grants or contracts for many kinds of projects including research and development. Although flood insurance is clearly required where the construction or im-

provement of a building is a principal purpose of such contract or grant, the Federal Insurance Administration recognizes that funding for equipment purchases in connection with research and grant projects and for the maintenance and operation of buildings, including routine alterations and repairs may be an element in these arrangements. Where such funds are for research and development equipment or are the only "construction" funds involved, flood insurance need not be required unless the amount set aside for the equipment or for incidental alterations or repairs is in excess of \$10,000.

(f) Other agencies, such as the Federal Highway Administration or the Environmental Protection Agency, make substantial loans or grants primarily for the construction of facilities other than buildings, such as bridges or water and sewer lines. Where what is essentially an uninsurable facility only incidentally involves insurable construction, such as a small drawbridge station or the above-ground portion of an underground pumping station, it is the view of the Federal Insurance Administration that flood insurance need not be required if the value of the insurable improvements is less than \$10,000.

3. *Evidence of insurance where a security interest is not retained.* (a) Because Federal agencies are legally responsible for seeing that flood insurance is maintained by recipients of financial assistance for the entire anticipated economic or useful life of the project, it is recommended that they obtain a copy of the flood insurance policy and receive copies of renewal notices in the same manner as a mortgagee, so that they will know whether the requirement they have imposed is actually being carried out by the recipient beyond the first expiration date of the policy. The simplest way to accomplish this purpose is to have the recipient list the Federal agency as a "mortgagee" on his flood insurance application. Notations on the status of the policy will then be automatic.

(b) However, where circumstances warrant, as in the case of research contracts and grants to public recipients that only incidentally involve construction, the agency may accept a certificate from the recipient formally stating that flood insurance is or is not available at the time the award is made and that, if available, the recipient has purchased and will maintain adequate flood insurance for the entire duration of its work under the contract or grant. Individual agency policies may vary in this matter.

#### D. ACCEPTANCE OF PRIVATE FLOOD INSURANCE TO MEET STATUTORY REQUIREMENT

It was a primary legislative purpose of the Act not only to make property owners throughout the nation aware of the significance and severity of the flood peril and to assure their purchase of flood insurance where needed, but also to guarantee their adequate protection through a Federally-sponsored and subsidized program, and thereby to reduce the increasing costs of Federal disaster

relief expenditures to the nation's taxpayers. Had adequate and assured flood insurance protection been available through the private insurance market, the National Flood Insurance Program would not have been necessary.

On March 1, 1974, the Federal Insurance Administration issued guidelines concerning the acceptability of flood insurance policies, other than the Standard Flood Insurance policy issued under the National Flood Insurance Program (hereafter referred to as the Standard Flood Insurance Policy). In complying with the flood insurance purchase requirements of section 102 of the Flood Disaster Protection Act of 1973 (Pub. L. 93-234), the March 1 guidelines were issued on an interim basis and are superseded by these guidelines issued on May 14, the contents of which are included here.

These guidelines represent the position of the Federal Insurance Administration with respect to what insurance policies, other than the Standard Flood Insurance Policy, are acceptable in meeting the statutory requirement for insurance established under section 102 of the Flood Disaster Protection Act of 1973. A guideline of this nature is required because that Act mandates the purchase of flood insurance as a precondition for certain assistance for construction and acquisition purposes from Federal agencies, and for most private mortgage loans, in identified special flood hazard areas.

Most persons will be purchasing flood insurance for the first time, and the majority would not have purchased it except for the statutory requirement. It is, therefore, essential that the insurance which the public is required to purchase be reasonable as to price and quality.

Such reasonableness is, of course, built into the Standard Flood Insurance Policy, issued in accordance with the National Flood Insurance Program, originally enacted in 1968. Although other flood insurance coverages, many of which are incorporated in package policies covering other perils, are subject to State regulations of insurance, and although in many States the policy forms and rates are approved by the State Insurance Commissioner, these other policies may not necessarily meet the requirements of the National Flood Insurance Program.

Consequently, it is the view of the Federal Insurance Administration that the following criteria should be met with respect to any flood insurance policy submitted to a lending institution or a Federal agency in purported satisfaction of the insurance purchase requirements of section 102 of the Flood Disaster Protection Act of 1973:

(a) The insurer is licensed to do business in the jurisdiction where the property is located.

(b) The flood insurance policy issued by the insurer includes an endorsement which:

(1) Requires that the insurer give 30 days written notice of cancellation or non-renewal to the insured with respect to the flood insurance coverage. To be

effective, such notice must be mailed to both the insured and the lender or Federal agency and must include information as to the availability of flood insurance coverage under the National Flood Insurance Program; and

(2) Guarantees that the flood insurance coverage offered by the insurer is at least as broad as the coverage offered by the Standard Flood Insurance Policy.

In order to assure that the purposes of the flood insurance legislation are met, we urge that all lending institutions and Federal agencies, acting in accordance with section 102 of the Flood Disaster Protection Act of 1973 take the following additional actions when flood insurance, other than the Standard Flood Insurance Policy, is offered in satisfaction of the statutory requirement:

(1) Advise borrowers of the availability of flood insurance coverage under the National Flood Insurance Program so that the borrower can, if he wishes, make an appropriate comparison of the respective premium costs.

(2) Where applicable, satisfy themselves that a mortgagee interest clause similar to that contained in the Standard Flood Insurance Policy is contained in the other insurance policy.

It is the opinion of the Federal Insurance Administration that an insurance policy which meets all of the above criteria meets the insurance purchase requirements of section 102 of the Flood Disaster Protection Act of 1973.

#### E. EXEMPTION OF STATE-OWNED PROPERTIES UNDER SELF-INSURANCE PLAN

It is our current view that the Act contemplates coverage under a State policy of self-insurance for State-owned properties as a substitute for flood insurance only where the State self-insurance fund is actually in existence and meets Federal Insurance Administration criteria.

Criteria for FIA approval of a self-insured plan as respects flood loss to State-owned property as called for in the Flood Disaster Protection Act of 1973, section 102(c) are:

(1) The State maintains and periodically updates an inventory of all State-owned structures and contents therein in order to:

(a) Identify locations in and out of the known or probable flood-prone areas within the State.

(b) Estimate the replacement cost of the structures as well as their economic value to the State.

(c) Estimate the probable impact of a flood loss to such property.

(d) Evaluate flood prevention measures to determine protection to State property.

(2) The State maintains a relatively complete record of all flood losses to State-owned structures and contents; preferably, such record should reflect experience over a period of 25-50 years. Flood losses are recorded by date, location and amount of damage incurred.

(3) The State Legislature annually appropriates adequate financing to pay for probable annual flood losses to structures and contents, as revealed by past



flood loss records as well as current estimates for the fiscal year.

(4) The State Legislature makes provision for catastrophes in special Flood Hazard areas, by:

(a) Purchasing comparable excess flood insurance from a licensed insurer to cover all State-owned structures and contents; policy may contain occurrence deductible which includes an aggregate deductible, or

(b) Establishing a special State insurance fund with adequate reserves based on exposures located in special Flood Hazard areas.

(5) Governor certifies that only claims for flood damage to structures or contents will be made under any form of Federal Disaster Relief that are in excess of

(a) coverage available under the National Flood Insurance Program, at the time of the loss or

(b) recovery under any private insured or State self-insurance plan or,

(c) the deductible(s) under such plans.

#### F. LIST OF SERVICING COMPANIES OF THE NATIONAL FLOOD INSURERS ASSOCIATION

Alabama: The Hartford Insurance Group, Hartford Building, 100 Edgewood Avenue, Atlanta, Georgia 30301. Phone: (404) 521-2059.

Alaska: Industrial Indemnity Co. of Alaska, P.O. Box 307, Anchorage, Alaska 99510. Phone: (907) 279-9441.

Arizona: Aetna Technical Services, Inc., Suite 901, 3003 North Central Avenue, Phoenix, Arizona 85012. Phone: (602) 264-2621.

Arkansas: The Travelers Indemnity Company, 700 South University, Little Rock, Arkansas 72203, P.O. Box 51. Phone: (501) 664-5085.

California-Northern: Fireman's Fund American Insurance Companies, P.O. Box 5124, San Francisco, California 94119. Phone: (415) 421-1678.

California-Southern: Fireman's Fund American Insurance Companies, P.O. Box 2823, Los Angeles, California 90051. Phone: (213) 381-3141.

Colorado: CNA Insurance, 1660 Lincoln St., Suite 1800, Denver, Colorado 80203. Phone: (303) 266-0561.

Connecticut: Aetna Insurance Company, P.O. Box 1779, Hartford, Connecticut 06101. Phone: (203) 523-4881.

Delaware: General Accident F & L Assurance Corp., Ltd., 414 Walnut Street, Philadelphia, Pennsylvania 19106. Phone: (215) 238-5000.

Florida: The Travelers Indemnity Company, 1516 East Colonial Drive, Orlando, Florida 32803. Phone: (305) 896-2001.

Georgia: The Hartford Insurance Group, Hartford Building, 100 Edgewood Avenue, Atlanta, Georgia 30301. Phone: (404) 521-2059.

Hawaii: First Insurance Co. of Hawaii, Ltd., P.O. Box 2866, Honolulu, Hawaii 96803. Phone: (808) 548-5111.

Idaho: Aid Insurance Company, Snake River Division, 1845 Federal Way, Boise, Idaho 83701. Phone: (208) 343-4931.

Illinois: State Farm Fire & Casualty Co., Illinois Regional Office, 2309 E. Oakland Avenue, Bloomington, Illinois 61701. Phone: (309) 567-7211.

Indiana: United Farm Bureau Mutual Insurance Co., 130 East Washington Street, Indianapolis, Indiana 46204. Phone: (317) 263-7200.

Iowa: Employers Mutual Casualty Company, P.O. Box 864, Des Moines, Iowa 50304.

Phone: (515) 280-2511.

Kansas: Royal-Globe Insurance Companies, 1125 Grand Avenue, Kansas City, Missouri 64141. Phone: (816) 842-8116.

Kentucky: CNA Insurance, 111 East 4th Street, Cincinnati, Ohio 45202. Phone: (513) 621-7107.

Louisiana: Aetna Technical Services, Inc., P.O. Box 61003, New Orleans, Louisiana 70160. Phone: (504) 821-1511.

Maine: Commercial Union Insurance Company, c/o Campbell, Payson & Noyes, 7 Pearl St., Box 527 Pearl St. Station, Portland, Maine 04116. Phone: (207) 774-1431.

Maryland: U.S. Fidelity & Guaranty Company, Calvert & Redwood Streets, Baltimore, Maryland 21203. Phone: (301) 539-0380.

Massachusetts-Eastern: Commercial Union Insurance Company, 1 Beacon Street, Boston, Massachusetts 02108. Phone: (617) 725-6358.

Massachusetts-Western: Aetna Insurance Company, P.O. Box 1779, Hartford, Connecticut 06101.

Michigan: Insurance Company of North America, Room 300, Buhl Building, Griswold & Congress Streets, Detroit, Michigan 48226. Phone: (313) 963-4114.

Minnesota-Eastern: The St. Paul Fire & Marine Insurance Company, P.O. Box 3470, St. Paul, Minnesota 55165. Phone: (612) 222-7751.

Minnesota-Western: The St. Paul Fire & Marine Insurance Company, 7900 Xerxes Avenue South, Minneapolis, Minnesota 55431. Phone: (612) 835-2600.

Mississippi: The Travelers Indemnity Company, 5360 Interstate 55 North, P.O. Box 2361, Jackson, Mississippi 39205. Phone: (601) 966-5600.

Missouri-Eastern: MFA Insurance Companies, 1817 West Broadway, Columbia, Missouri 65201. Phone: (314) 445-9441.

Missouri-Western: Royal-Globe Insurance Companies, 1125 Grand Avenue, Kansas City, Missouri 64141. Phone: (816) 842-8116.

Montana: The Home Insurance Company, 8 Third Street N., P.O. Box 1031, Great Falls, Montana 59401. Phone: (406) 761-8110.

Nebraska: Royal-Globe Insurance Companies, 1125 Grand Avenue, Kansas City, Missouri 64141. Phone: (816) 842-8116.

Nevada: The Hartford Insurance Group, P.O. Box 500, Reno, Nevada 89504. Phone: (702) 329-1061.

New Hampshire: Commercial Union Insurance Company, 1 Beacon Street, Boston, Massachusetts 02108. Phone: (617) 725-6358.

New Jersey: Great American Insurance Co., 5 Dakota Drive, Lake Success, New York 11040. Phone: (201) 635-1070.

New Mexico: CNA Insurance, 1660 Lincoln St., Suite 18, Denver, Colorado 80203. Phone: (303) 266-0561.

New York: Great American Insurance Company, 5 Dakota Drive, Lake Success, New York 11040. Phone: (516) 775-6900.

North Carolina: Kemper Insurance, 1229 Greenwood Cliff, Charlotte, North Carolina 28204. Phone: (704) 372-7150.

North Dakota: The St. Paul Fire & Marine Insurance Company, 254 Hamm Building, 408 St. Peter Street, St. Paul, Minnesota 55102. Phone: (612) 227-9581.

Ohio-Northern: Commercial Union Insurance Company, 1300 East 9th St., Cleveland, Ohio 44114. Phone: (216) 522-1060.

Ohio-Southern: CNA Insurance, 111 East 4th Street, Cincinnati, Ohio 45202. Phone: (513) 621-7107.

Oklahoma: Republic-Vanguard Insurance Group, P.O. Box 3000, Dallas, Texas 75221. Phone: (214) 538-0301.

Oregon: State Farm Fire & Casualty Company, 4600 35th Avenue, N.E., Salem, Oregon 97303. Phone: (503) 393-0101.

Pennsylvania-Eastern: General Accident F & L Assurance Corp., Ltd., 414 Walnut Street, Philadelphia, Pennsylvania 19106. Phone: (215) 233-5512.

Pennsylvania-Western: Zurich-American Group, 1885 Washington Road, Pittsburgh, Pennsylvania 15228. Phone: (412) 833-8000.

Puerto Rico: Puerto Rico Inspection and Rating Bureau, Penthouse 7th Ochoa Bldg., 7th floor, P.O. Box 1333, San Juan Puerto Rico 00902. Phone: (809) 723-0000.

Rhode Island: American Universal Insurance Co., 144 Wayland Avenue, Providence, Rhode Island 02904. Phone: (401) 351-4800.

South Carolina: Maryland Casualty Company, P.O. Box 11618, Charlotte, North Carolina 28209. Phone: (704) 525-8330.

South Dakota: The St. Paul Fire & Marine Insurance Co., Hamm Building, 408 St. Peter Street, St. Paul, Minnesota 55102. Phone: (612) 227-9581.

Tennessee: CNA Insurance, 110 21st Avenue South, Nashville, Tennessee 37203. Phone: (615) 327-0061.

Texas: The Home Insurance Company, 2100 Travis Street, Houston, Texas 77002. Phone: (713) 225-0031.

Utah: CNA Insurance, 1660 Lincoln St., Suite 1800, Denver, Colorado 80203. Phone: (303) 266-0561.

Vermont: Commercial Union Insurance Company, 1 Beacon Street, Boston, Massachusetts 02108. Phone: (617) 725-6358.

Virginia: Insurance Company of North America, 5225 Wisconsin Avenue, N.W., Washington, D.C. 20015. Phone: (202) 344-3600.

Washington: Fireman's Fund American Insurance Companies, 1605 First 900 Building, 6th & Stewart, Seattle, Washington 98101. Phone: (206) 587-3200.

West Virginia: U.S. Fidelity & Guaranty Company, 3324 McCorkle Avenue, S.E., Charleston, West Virginia 25304. Phone: (304) 344-1692.

Wisconsin: Aetna Insurance Company, 5735 East River Road, Chicago, Illinois 60631. Phone: (312) 698-2500.

Wyoming: CNA Insurance, 1660 Lincoln St., Suite 1800, Denver, Colorado 80203. Phone: (303) 266-0561.

#### G. GLOSSARY OF TERMS

"Actuarial rates" are those rates established by the Federal Insurance Administration pursuant to individual community flood level studies and investigations which are undertaken to provide flood insurance in accordance with accepted actuarial principles, including provisions for operating costs and allowances. Subject to various other limitations, actuarial rates are applicable only after publication and effectiveness of the Flood Insurance Rate Map.

"Base flood level" or elevation is that elevation within the community at which there is a one percent chance of flood loss each year. Base flood level is often characterized as the 100-year flood level.

"Community" means any State or political subdivision thereof, such as a county or incorporated municipality, with authority to adopt and enforce the land use and control measures required under the National Flood Insurance Program for the areas within its jurisdiction.



"Contents coverage" is the insurance on personal property within an enclosed structure including the cost of debris removal. Personal property may be household goods usual and incidental to residential occupancy or merchandise, furniture, fixtures, machinery, equipment and supplies usual to other than residential occupancies.

"Eligible community," also known as a participating community, is a community in which the Federal Insurance Administrator has authorized the sale of flood insurance under the National Flood Insurance Program.

"Emergency Program" means the Emergency Flood Insurance Program as authorized by the Act, and is intended primarily as an interim program to provide a first layer amount of insurance at Federally-subsidized rates on all existing and new construction begun prior to publication of a Flood Insurance Rate Map (FIRM).

"Existing structures" for the purposes of determining rates, means those structures in existence or on which construction or substantial improvement was started on or before December 31, 1974, or the effective date of the Flood Insurance Rate Map, whichever is later. For the purposes of land use and control measure requirements, Existing Structures means those structures in existence or on which construction or substantial improvement was started prior to the effective date of the FIRM. Existing structure may also be characterized as Existing Construction.

"Federal Insurance Administration" (FIA) is the Office in the U.S. Department of Housing and Urban Development which has been delegated the responsibility of administering the National Flood Insurance Program.

"First-layer coverage" is the maximum amount of insurance available under the Emergency Program or one-half the maximum amount of insurance available under the Regular Program.

"Flood" or "Flooding" means:

1. A general and temporary condition of partial or complete inundation of normally dry land areas from:

a. The overflow of inland or tidal waters.

b. The unusual and rapid accumulation or runoff of surface waters from any source.

c. Mudslides (i.e., mudflows) which are proximately caused or precipitated by accumulations of water on or under the ground.

2. The collapse or subsidence of land along the shore of a lake or other body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels or suddenly caused by an unusually high water level in a natural body of water, accompanied by a severe storm, or by an unanticipated force of nature, such as a flash flood or an abnormal tidal surge, or by some similarly unusual and unforeseeable event which results in flooding as defined in 1. above.

3. Such refinements of the foregoing which may be adopted by the FIA from time to time.

"Flood Hazard Boundary Map" is the map of the community which is issued by the FIA for use in determining whether individual properties are within or without the flood plain area having Special Flood Hazards or mudslide area having Special Mudslide Hazards. It usually precedes issuance of the Flood Insurance Rate Map.

"Flood Insurance Rate Map" means the map of a community which is issued by the FIA, which not only delineates the flood plain area having special flood hazards or the mudslide area having special mudslide hazards but which also delineates the area in which flood insurance may be sold under the Regular Program as well as the actuarial rate zones applicable to such area.

"Flood plain" or flood-prone area means a land area adjoining a river, stream, watercourse, ocean, bay, or lake, which is likely to be flooded.

"Insurance purchase requirement" is a condition within the Flood Disaster Protection Act of 1973 that, in an eligible community, flood insurance must be purchased on buildings or personal property located in identified special flood hazard areas in order to be eligible for Federal or federally-related financial assistance.

"Land use and control measures" means zoning ordinances, subdivision regulations, building codes, health regulations, and other applications and extensions of the normal police power, enacted by a community to provide standards and effective enforcement provisions for the prudent use and occupancy of flood-prone and mudslide areas as required by the Act and regulations of the FIA.

"Limits of coverage" are the maximum amount of flood insurance available under either the Emergency or Regular Program.

"Maps" are the Flood Hazard Boundary Map or the Flood Insurance Rate Map published by the Federal Insurance Administration.

"National Flood Insurers Association" (NFIA) is an association of over 100 private insurance companies which cooperates with the Federal Government to provide flood insurance under the National Flood Insurance Program.

"New structure," for purposes of determining rates, means those structures, the construction or substantial improvement of which is begun after December 31, 1974, or the effective date of the Flood Insurance Rate Map, whichever is later. For the purpose of land use and control measure requirements, New Structure means those structures, the construction or substantial improvement of which is begun after the effective date of the FIRM. New structure may also be characterized as New Construction.

"Substantial improvement" means any repair or reconstruction, or improvement of the structure, the cost of which equals or exceeds 50 percent of the actual cash value of the structure either (a) before

the improvement is started, or (b) if the structure has been damaged and is being restored before the damage occurred. Substantial improvement, as defined, is deemed to begin when the first alteration of any wall, ceiling, floor, or other structural part of the building commences.

"Participating community," also known as an eligible community, is a community in which the Administrator has authorized the sale of flood insurance under the National Flood Insurance Program.

"Regular Program" means the Regular Flood Insurance Program as authorized by the Act and under which actuarial rates have been determined for use on first layer limits of insurance for all existing structures if such rates are lower than the subsidized rates, and for all insurance on new construction or for the second layer limits of insurance which also becomes available with the effective date of the FIRM.

"Second layer coverage" is the increased coverage over the first layer, available only under the Regular Program at actuarial rates.

"Servicing company" means the insurance company which represents the National Flood Insurers Association and handles the issuance and servicing of all policies under the National Flood Insurance Program for the particular community. Any licensed property and casualty agent in the State may obtain policy forms from a servicing company. Flood Hazard Boundary Maps are also available to lenders and others from the servicing companies.

"Special flood hazard area" is the land within a community, in the flood plain, which is most likely to be subject to severe flooding. Under the Emergency Program, it is usually designated as Zone A on the Flood Hazard Boundary Map. After the detailed evaluation of the special flood hazard area, in preparation for publication of the Flood Insurance Rate Map, Zone A may be segmented by refinement into Zones A, AO, AI-A30, and V (V1-V30). Under the Regular Program no new structure can be insured in the special flood hazard area at other than actuarial rates for both layers of flood insurance available.

"Standard Flood Insurance Policy" is the flood insurance policy promulgated by the Federal Insurance Administrator and issued by the National Flood Insurers Association.

"Structure coverage" is insurance on a walled and roofed building, other than a gas or liquid storage tank, that is principally above ground and affixed to a permanent site, as well as a mobile home or foundation. The words "structure" and "building" have identical meanings for the purposes of the National Flood Insurance Program.

"Subsidized rates" are the rates established by the FIA which involve a high degree of financing by the Federal Government to encourage the purchase of first layer limits of flood insurance on existing structures at an affordable cost.

"Uninsurable structures" means those types of risk on which flood insurance under the National Flood Insurance Program cannot be written. Structures such as bridges, dams, and roads are uninsurable.

Issued this 6th day of July, 1974, at Washington, D.C.

GEORGE K. BERNSTEIN,  
Federal Insurance Administrator.  
[PR Doc. 74-16338 Filed 7-16-74; 8:45 am]

## Exhibit 5

### References In Title 24 of the Code of Federal Regulations Relating to the National Flood Insurance Program

The following is a list of cross-references to the subjects of "flood hazard," "flood plain management," "flood insurance," and "hazard insurance," in the regulations of the Department of Housing and Urban Development.

<u>Section</u>	<u>Subject</u>
§200.39	Other improvement loans.
§201.16	Flood insurance.
§201.526	Flood Insurance.
§203.16 a	Mortgagor and mortgagee requirement for flood insurance coverage.
§203.18	Maximum mortgage amounts.
§203.19	Mortgagor's minimum investment.
§203.61 a	Requirement for maintaining flood insurance coverage.
§207.260	Protection of mortgage security.
§340.29	Hazard insurance.
§570.609	National Flood Insurance Program.
§600.55	Eligible activities - all applicants.
§883.401	Modification of existing housing regulations.
§1272.219	LHA reporting requirements. (Appendix IV)
§1276.209	Site and neighborhood standards.

Exhibit 5 - (Continued)

<u>Section</u>	<u>Subject</u>
§1710.105	Statement of Record - format and instructions.
§1909 <u>et seq.</u>	National Flood Insurance Program.
§2200.38 <u>et seq.</u>	Disaster Flood Insurance
§2205.61 <u>et seq.</u>	Flood Insurance.